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(1) Three new LDP executives all close to Abe: Hidenao Nakagawa will continue the Koizumi reforms; Niwa is a veteran politician; Shoichi Nakagawa represents generational change

NIHON KEIZAI (Page 2) (Excerpts)
Evening, September 25, 2006

The newly appointed top three Liberal Democratic Party (LDP) executives, who will back up the Abe administration, form a lineup of individuals known for their being close to LDP President Abe. Policy Research Council Chairman Hidenao Nakagawa, who will shift over to be the party secretary general, has been carrying the flag of structural reform in the Koizumi government, created the trend that tilted the party toward supporting Abe as its favorite candidate and is known as Abe's guardian or protector. Minister of Agriculture Shoichi Nakagawa also has many similarities to Abe in his political activities. The talented trio will make the case to domestic and foreign audiences that reform will continue under the Abe administration, and back up Abe's pet policy lines of educational reform and constitutional revision.

Hidenao Nakagawa has been an advocate of budget reduction in the Koizumi administration, and played a role of consolidating views in the party on such. In the budget compilation for next fiscal year, a time when party policy cliques and government office will be calling for increased expenditures, the presence of Nakagawa as the secretary general will act as a constraint on extra spending. Being

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53 years old, he will likely work closely with Shoichi Nakagawa to take the lead in policy debates in the run up to the Upper House election next summer.

Shoichi Nakagawa is positioned in the party like Abe as part of the hawkish group. He is with Abe in lockstep on such issues as the textbooks and abductions of Japanese by North Korea. Abe has deep trust in him. He takes a consistently hard-line stance in China diplomacy, starting with the gas development issue in the E. China Sea. Being about the same age as Abe, he, too, can appeal to the public on the generational change front. The same context accounts for the appointment of Nobuteru Ishihara as acting secretary

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general.

Veteran politician Yuya Niwa was appointed General Council chairman. His appointment has a strong aspect of being a reward for distinguished service, but there also is an aspect of his appointment being a conciliatory move toward the party. Niwa during the campaign announced that his faction would fully support Abe. Compared to the Tsushima faction, which split in the Upper House, the Niwa-Koga faction almost completely united for Abe, and was highly praised for it. Niwa is seen as a veteran in the party, and his appointment shows the balance that Abe tried to achieve in giving consideration to age, maturity, and youth.

(2) Interview with Japan Business Federation Chairman Fujio Mitarai: Overcome "reform fatigue"

NIHON KEIZAI (Page 3) (Full)
September 22, 2006

Fujio Mitarai, chairman of the Japan Business Federation and Canon Chairman, responded to an interview with the Nihon Keizai Shimbun on the evening of Sept. 20.

-- What do you expect from the new Liberal Democratic Party (LDP) President Abe?

The Koizumi administration broke up the bureaucracy-led regulated economy that was even called "modified capitalism" in the postwar period, and it created an environment for the private sector to be able to present ideas and take an active role. This can be cited as one of its achievements. I expect Abe add a freshness to the Koizumi reforms as he works to speed up the process.

There are so many difficult challenges to clear before Japan can turn into a bright and shining country again in the era of expanding globalization. I expect Abe to manage his administration on a stable, long-term basis. There is no leeway for Japan to continue to engage in political battles.

-- In the LDP presidential election campaign, the atmosphere of "reform fatigue" was pointed out, with the issue of income disparity focused on.

The grip on reform should not be relaxed now. It has not been declared yet that deflation has been completely overcome. In addition, not every company has improved its business results. The government should not say it is tired but should instead continue to push ahead with reform.

In the market economy, it is natural for those who compete fairly to attain wealth. Such a result provides incentives to other individuals. Certainly, there are income discrepancies between the center and local areas. These gaps must be rectified. I place great expectations on Mr. Abe's proposal for introducing a regional bloc system (Doshusei).

-- Abe has insisted: "There will be no fiscal reconstruction without economic growth." What measures do you think the government should take to attain sustainable economic growth?

Innovation serves as an engine to pull along the nation's economy. I would like to see the government play a role that the private sector cannot play, like promoting basic research or large-scale projects.

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The government should also continue to offer tax incentives for companies to invest more in research and development. It is also important to take into consideration the dynamism of the Asian economy, so I hope the new government will accelerate the speed of concluding free trade agreements with Asian countries.

Educational reform is also essential. The recent trend of students staying away from science and technology is serious. I hope that universities and graduate schools will set up courses to train engineers. To prevent society from degenerating, it might also be necessary to review the educational curriculums at elementary schools and junior high schools to foster a sense of public morality among students.

-- What do you think about a hike in the consumption tax?

Even if the 2011 basic fiscal balance is brought to the plus column through spending cuts and a natural increase in tax revenues, the nation will continue to be saddled with debts that account for 150-160 percent of gross domestic product (GDP). To maintain Japanese firms' competitive in the international market, it is vital to review the tax-revenue structure that greatly relies on such direct taxes as the corporation tax.

Expenditures for social security have been on the increase. Even in view of this fact, securing new financial resources is necessary. This could be one option: The consumption tax be designated as a special tax for social security, and the tax rate be raised in 2009, when the rate of the burden that pensions place on the national treasury is to be raised. If tax revenues grew, the timeframe could be delayed.

-- From your experiences as a CEO, do you have any advice about personnel appointments?

I have no advice, but I have hopes. I want the new administration to establish a "working cabinet" by placing the right persons in the right posts. Faction-based appointments should be discontinued.

(3) Nuclear fuel supply security initiative: "Nuclear haves" aiming for monopoly; Japan determined to counter with its own plan

MAINICHI (Page 3) (Almost Full)
September 25, 2006

Full-fledged international discussions of a nuclear fuel supply assurances initiative aimed at strengthening the nuclear nonproliferation regime, which is visibly beginning to show its weaknesses, have gotten underway. During the International Atomic Energy Agency's (IAEA) plenary session, which lasted until Sept. 22,

Japan presented its own plan, countering a proposal made by six nations, including the US, Russia, and European countries. Intense bargaining is expected. Chances are that amid a trend toward limiting nuclear fuel supply sources, Japan, which is enriching and reprocessing uranium in Rokkasho Village, Aomori Prefecture, might find itself in a difficult position.

Measures to deal with black market

Harvard University Professor Graham Allison during a special session pointed out that if a safety network for nuclear fuel supply were built, the number of countries that give up enriching or

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reprocessing uranium in view of economic rationality would increase.

"Manufacturing Boeing 747 planes costs a country 50 times the amount needed to purchase them from a foreign country. Likewise, if a country enriches uranium on its own, it will cost five times the amount needed to purchase it."

Since 2003, when North Korea, Iran, and Libya were found to have been secretly continuing nuclear development, momentum to constrain not only development of nuclear arms but also the proliferation of technologies to enrich uranium convertible for the development of nuclear arms and reprocess nuclear fuel has emerged. IAEA chief Mohamed ElBaradei in 2004 proposed a plan to control these facilities under an international framework. The US, Britain, France, Germany, Russia, and the Netherlands, which are in effect monopolizing the nuclear fuel supply market, this June proposed a plan that makes it a condition that countries wishing to join the envisaged safety network should abandon their nuclear enrichment and reprocessing programs. A skirmish between nuclear fuel "haves" and "have-nots" has begun.

Iran's Vice-President for Atomic Energy Aqadadeh-Khoi, director general of the Atomic Energy Agency, criticized the proposal, noting, "We cannot accept a monopoly by industrialized countries." South Africa, which is also aiming to establish its own nuclear fuel cycle, expressed concern about the possibility of the right to the peaceful use of nuclear power being limited, while little progress has been made regarding nuclear disarmament, playing up the fact that the Nuclear Non-Proliferation Treaty (NPT) is a set comprising nuclear disarmament and the peaceful use of nuclear power.

Japan's "exceptional position" at stake

Japan was also pressed to change its nuclear power policy. Up until now, Japan has been allowed as an exception to possess a large quantity of plutonium, following that of Russia, the US, and France. However, if the six-nation proposal limiting supply sources to specific countries is implemented, the international community may question why Japan is allowed to possess facilities that are convertible into facilities for producing nuclear weapons or voice concern that it may intend to become nuclear-armed in response to North Korea. Should that occur, Japan might be pressed to give up on enriching and reprocessing uranium on its own.

Defending its right to a nuclear fuel cycle, including enrichment and reprocessing, by any available means is a top agenda item for Japan, a country poor in natural resources. It compiled its own plan that awards the right to enrichment and reprocessing to a larger number of countries in about a month, according to the Foreign Ministry, and proposed it during the session.

What about non-member nations?

The initiative itself faces some challenges. Though discussions on a safety net have just started, chances are that some countries will not join, whichever plan is adopted. The initiative, therefore, will not be a decisive way of preventing North Korea or Iran from developing nuclear arms, though it may be effective, as a diplomatic source put it.

Professor Allison pointed out, "Since the 1979 Iranian Revolution, it has been the US that has been giving any reason, such as human

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rights or Tehran's support for terrorism, to disrupt the flow of nuclear technology materials." He underscored that it is essential for the IAEA, a neutral international organization, to construct a mechanism for assuring nuclear fuel supplies.

(4) Old friends, supporters talk of LDP President Abe: He speaks fast when he talks with friends; Dedicated person; Takes good care of others like older brother

ASAHI (Page 35) (Slightly abridged)
September 21, 2006

Chief Cabinet Secretary Shinzo Abe was elected by a huge margin on Sept. 20 as the 21st president of the ruling Liberal Democratic Party (LDP), winning a landslide victory as expected. Abe has secured the LDP presidency that his father Shintaro Abe was unable to get (due to an early demise). He will become Japan's youngest and first postwar-born prime minister. He has walked a path that seems to have no connection with his advocacy of creating a society that would provide "a second chance" to business failures. Some expect much more from a person of high pedigree like him, while others are concerned about the extent of his political skills.

"The torch of vision and reform has been passed to me," said Abe on the evening of Sept. 20 after he was elected LDP president. While watching Abe on a TV program, Koichi Ikeda, a 51-year-old company employee, said, "I see his determination." Ikeda was a classmate of Abe from his days at Seikei Elementary School all the way through Seikei University. They were good friends.

Ikeda has an unforgettable anecdote about Shinzo Abe. When they were elementary school children, Shinzo said to him: "My father has just lost his job because he was defeated in the election. But he will become a consultant at a company of an acquaintance, so everything is OK." He made the remark with a calm face.

At the time Abe's mother Yoko often was absent from home since she had to make the rounds of the election district to help his father get elected. Ikeda thought that being the family of a politician was tough.

On the night of Sept. 1, when Abe formally announced his candidacy for the LDP presidency, several classmates from elementary school got together at a bar in the Ginza district.

One of them called Abe's cell phone, and Abe answered while moving from one TV station to another one. Picking up the phone, Ikeda said, "Hello," Abe then asked, "Is that you, Ikeda?" "Please take good care of your health; hang in there," Ikeda said. "OK. I will. Thank you!" When Abe talks to his friends, he speaks much faster than when he talks to reporters.

When Kazuhiro Bando, 51, who was Abe's classmate in 4th to 6th grade, opened a cake shop in Tokyo, Abe rushed to the shop to congratulate him. At the time, Abe was serving as chief cabinet secretary. But Bando is concerned about the aftermath of Abe's "big

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win" in the presidential race.

Yoichi Tominaga, 46, who leads a group of young supporters of Abe in Shimonoseki City, Yamaguchi Prefecture, said this of Abe: "Although Mr. Abe is a nondrinker, he will invite us to a grilled chicken shop and goes along with us bar hopping. He is good at remembering names. He will often call up me. I feel like he's my brother rather than a

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politician."

Meanwhile, one supporter made a cool comment on him: "Since he was

born and raised in Tokyo, he has done nothing for us."

One company owner, who supported Abe's father Shintaro, said, "I thought that his book, *Toward a Beautiful Country*, lacked specifics. He has a nice personality, but I'm not sure about his political ability. Nobody knows as to whether his popularity will go up or down."

(5) Betrayal by a foreign "correspondent" In Japan

SANKEI (Page 7) (Abridged slightly)
September 23, 2006

By Yoshihisa Komori, Washington

Reports from Tokyo by Western correspondents are often biased. It is natural for any Western leader to stress the importance of love of nation and national security. But if a Japanese leader like Shinzo Abe does that, the Western media label him a hawkish nationalist or even a dangerous militarist. The Western media clearly have a double standard and a political bias.

I have recently experienced a quintessential case of a double standard involving a Tokyo-based foreign journalist, who was not only politically biased but also totally ignored the media rules. His technique was cunning, and I totally played into his hands. It all started this way:

I was temporarily back in Tokyo in late August. One day I received a request through the Sankei Shimbun for an interview by a person named David McNeal, a Tokyo-based correspondent of the British daily, *Independent*. I was told that he was interviewing a wide range of people about Yasukuni Shrine for his article. With my departure for Washington approaching, my timetable was tight, but I decided to accept the request from the journalist with a major UK newspaper anyway. I sensed something awkward in McNeal's tone on the other end of the line, however. He sounded he had interest in a topic other than Yasukuni Shrine.

On Aug. 23, I called on McNeal, a lean middle-aged English man, at the Foreign Correspondents Club of Japan in Yurakucho. Although he spoke good Japanese, the interview was conducted in English. The on-record interview began following a basic confirmation that it was for the *Independent's* article on the Yasukuni issue. The recording was for McNeal to take notes for his planned article.

But I soon realized that McNeal's questions were centered on the Japan Institute of International Affairs' (JIIA) English-language website articles rather than on the Yasukuni issue.

In mid-August, the Sankei Shimbun ran my article questioning the appropriateness of a government-financed research institute website carrying a series of English-language articles criticizing and ridiculing government policies. In reaction, JIIA speedily suspended its website articles, admitting its poor judgment.

But Western academics and journalists criticized my column as an act that led to the suppression of free speech. They rapped my column that had simply questioned the appropriateness of JIIA articles, calling it a rightist threat. Criticizing my opinion from such a

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perspective, McNeal also urged me to write a letter to JIIA asking it to resume posting commentaries on its English language website. As if to administer an additional litmus test, he asked my views on such matters as the Nanjing Massacre, the comfort woman issue, and the International Military Tribunal for the Far East. His negative comments about love of country also perplexed me. The interview ended in about 50 minutes, leaving behind a bad aftertaste.

Two weeks later in Washington, I learned from a friend of mine that my comments on historical issues have been posted on a net forum run by NBR, a Japan affairs research institution. I was surprised to find a report by David McNeal titled "The Struggle for the Japanese Soul: Yoshihisa Komori, Sankei Shimbun, and the JIIA controversy," originally contributed to Japan Focus, an e-journal and archive on

Japan and the Asia-Pacific.

I also found out later that McNeil had used the interview with me solely for Japan Focus and not for the Independent. He also transcribed my comments, which were supposed to be for taking memos, without obtaining my approval.

Playing up my frank and crude words, the report was a diatribe against me with a focus only on JIIA commentaries instead of Yasukuni Shrine. Depicting me as a staunch defender of revisionist historical views, it was clear that McNeil posted his report on net forums to have Western leftists lash out at me.

McNeal set me up. According to an American scholar who has long stayed in Japan, reporting is only part of what McNeil does, for he is a well-known leftist researcher and activist. He contributes articles to the Independent only occasionally. Anyone is free to express one's political views and speeches, but breaking a promise and setting someone up is unethical.

I have been in this business a long time, and it did not occur to me that I would fall into a trap by another foreign "correspondent." Based on this bitter experience, I would like to remind fellow journalists to remain alert at all times.

(6) Study of Shinzo Abe: Inherits grandfather's genes regarding view of Japan-US alliance

TOKYO SHIMBUN (Page 2) (Full)
September 22, 2006

Terumasa Nakanishi, currently professor at Kyoto University, was invited as a lecturer to a study session of foreign policy hosted by Shintaro Abe about 20 years ago. He still remembers that he received a profound question from a participant that went:

"Don't you agree that the reason that Britain was able to move closer to the Soviet Union during the Cold War even though it is an ally of the United States was the result of its thorough intelligence gathering and analysis?"

After the study session ended, Nakanishi exchanged business cards with the questioner, who said, "My name is Shinzo Abe, a secretary (to Shintaro Abe)." Nakanishi then handed him a report on a British intelligence organization. Abe showed a strong interest in the report. At a later date, he sent Nakanishi a letter. At the end of the letter, Abe wrote that he would show the report to his father.

In engaging in foreign policy, securing the intelligence about the

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weak points of other party is most important. Japan has not been good at that. Nakanishi was impressed by Abe and still remembers that he thought here was a person with an instinct about diplomacy.

After assuming the prime minister's post, Abe intends to set up a Japanese version of the US National Security Council so that the government will be able to centralize the control of intelligence gathering and analysis. According to Nakanishi, Abe has had this idea for about 20 years.

In 1960, Japan was wavering over revising the US-Japan Security Treaty (Ampo). At that time Abe's grandfather, Nobusuke Kishi, was prime minister. The six-year old Abe asked his grandfather, "What is the Ampo?" Kishi reportedly replied, "It is a treaty under which the United States protects Japan." Abe introduced this episode in his book *Toward a Beautiful Country*, which was recently published.

The issue of revising the security treaty split public opinion in the country into two camps. Kishi was assaulted by a thug and badly wounded. Politician Kishi's reputation has yet to be established. His grandson Shinzo Abe, however, believes that Nobusuke Kishi was a politician who devoted his life to his country.

Koji Akiho, Abe's classmate at Seikei University, remembers that Abe often said that his father was great. At his residence in Gotenba,

Shizuoka Prefecture, Kishi welcomed Akiho and his grandson with gentle smile completely different from his image of being a "specter of the Showa era," which took root in the mass media.

Of the 403 Diet members, 125 or about 30 PERCENT have relatives who were lawmakers. Of them, 29, including Abe, are third-generation politicians.

Many of the 29 lawmakers tend to make an idol of their grandfathers, who knew more about politics than their fathers. Taro Aso often talks about his grandfather, former Prime Minister Shigeru Yoshida, and Kunio Hatoyama often speaks of his grandfather, former Prime Minister Yukio Hatoyama. They do not talk about their fathers.

Abe certainly inherits Kishi's DNA genes in the area of foreign policy and security.

Kishi made the prototype of unilateral Japan-US alliance under which the United States protests Japan. Abe intends to develop that alliance into a true bilateral one, which his grandfather was unable to bring about. He also intends to establish Japan's diplomacy and security by reinforcing intelligence units.

Abe calls this "advocacy diplomacy." However, many are concerned about his diplomatic stance. Many also are worried that Abe's hawkish policy is dangerous. Whether such a concern will end up being a groundless fear is uncertain.

(7) Privatization of postal services: Shadow of foreign pressure - US keeping sharp watch on new postal insurance products

ASAHI (Page 11) (Excerpts)
September 23, 2006

Postal services will be privatized in October next year. The Postal Privatization Committee will serve as the watchdog of the privatized firms. In order to judge the extent of new services to be offered by such firms, the panel has listened to views from private firms,

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which will become the rivals of the privatized postal firms. Its members include Naoki Tanaka, an economic critic, and those from various circles, such as governors and university professors.

During unofficial talks held in the spring of last year in preparation for finalizing the Japan-US Enhanced Initiative on Deregulation and Competition, the United States government unofficially asked Japan to include foreign insurance companies in the Postal Privatization Committee as members.

The Japanese government speculates the US request as reflecting its desire to shackle the postal insurance business before it is privatized. Over the past several years, the US frequently asked Japan to ban Japanese firms from offering new products as long as a level playing field is not readied (for both American and Japanese firms).

In May 2004, Assistant US Trade Representative Wendy Cutler called on the Ministry of Internal Affairs and Communications. Citing a newspaper article in which Japan Post President Masaharu Ikuta expressed a desire for his company's access to the medical insurance sector, Cutler asked: "Is this an established fact or just a trial balloon?"

Medical insurance is categorized as the third sector, which is a gray zone between life and non-life insurance. In this sector, American insurers have a strong presence.

Hearing a senior ministry official replying: "I heard the president cited it as just an example," Cutler said: "I want you to keep it in mind that we, as your trade partner, are carefully checking your moves. I ask you to tell that the president or the staff under him should take a 'cautious' approach."

The request from the US government is linked to American insurers' great interests in the Japanese market.

In 1974, American Family, a small insurer in Georgia, was allowed to do business in Japan, and its cancer insurance policy became a great success. Teruo Asatai, 79, who had headed the First Insurance Division at the Finance Ministry at that time, said: "We were of the opinion that bringing in foreign capital would be desirable in order to destroy the lock-step formula in the industry." The leading American insurance company AIG also achieved good business results here.

American firms had initially served as the role of resuscitating the market, but foreign firms began to enjoy their monopoly in the third sector as a special deregulation district for them in effect. In 1999, a plan to allow Japanese firms to take part in the third sector was finally put on the negotiating table, but the US side kept calling for continued preferential treatment to American insurers.

Then Finance Minister Kiichi Miyazawa said to US Secretary of the Treasury Rubin: "This is an issue to which Japan unusually has taken a morally proper response." Even so, since the US remained stubborn, Japan had to delay the day of liberalizing the third sector beyond the initial schedule.

As measures to keep a lid on trade friction, some in Japan Post Co., and Japan Post suggest giving favorable treatment to American insurers again.

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Behind this queer proposal is this calculation: If American insurers are allowed to sell their products over the counter at post offices after the postal services are privatized, the US government might become quiet. An official of Japan Post said: "Even if Japanese companies release insurance policies, the US might try to obstruct their sales efforts."

Even so, a great business opportunity will inevitably be given to trade partners in the privatized postal businesses. If excessive political consideration is taken in, competitive conditions will be relaxed.

In a meeting of the House of Councillors' General Affairs Committee on Aug. 29, New Komeito member Yuji Sawa said: "I am concerned that foreign financial institutions might try to take over the Japanese postal savings and insurance businesses."

In the political world, there is a view that the privatized postal insurance company may be placed under the wing of foreign capital in the future. Some keep in mind many cases occurred in the latter half of the 1990s in which a failed life insurance company was taken over by a foreign firm.

Asked about the possibility of an American insurer's buyout of the postal insurance company, a senior member of the US Chamber of Commerce in Japan replied: "The postal insurance business is huge. It is not a matter taken up seriously."

A senior member of a certain leading life insurer stated:

"It is inconceivable that American life insurers are preparing a takeover scenario. Their purpose supposedly is to prevent Japanese firms' attempt to enter the third sector. I guess they will consider the possibility when they fail to attain this purpose."

SCHIEFFER